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1. Foreign trade with North Korea, directed by the North Korean Trade Bureau, is carried on unofficially with Hongkong and covertly with Osaka, Japan. Former trade relations with Shanghai were not continued during 1949. The actual traders are mostly members of the Korean Commercial Company\* or of the North Korean army, in civilian clothes.
2. The business agent in Hongkong is KIM Sung-sik (金 承植), former president of the Korean Communications Association. The principal commodities sent to Hongkong from North Korea are millet and bean cake, for which Hongkong returns raw rubber, spinning machines, and military supplies. North Korea imports the millet from Manchuria and formerly also imported bean cake, but this is now produced in a government-controlled oil factory at Chongjin (129-49, 41-46). Exports are carried by Chinese freighters from Chinnampo (125-24, 38-44) to Hongkong.
3. Covert trade with Japan is carried on through members of the Japanese Communist Party in Osaka. Kaoliang, bean cake, fish oil, graphite, and other products are smuggled into Japan in exchange for electrical equipment and railroad parts for North Korea. Japanese Communist representatives visited Wonsan and Pyongyang in June 1949 and were entertained by the Labor Party and the North Korean Commercial Company of Pyongyang.
4. In conformity with an agreement of 1947 for 300,000 tons of lumber and carbide to be exported from North Korea to the USSR, these two products are dispatched through the port of Chongjin. The carbide is produced at the Komusan (古 炭 山) coal mine in Puryong (129-40, 42-00). Fertilizer and chemicals are also exported through Hungnam (127-33, 39-52).\*\* Five commercial vessels ply between Vladivostok and the ports of Chongjin, Hungnam, and Wonsan twice a month.

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CENTRAL INTELLIGENCE AGENCY

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5. A Soviet (formerly Japanese) vessel of 15,000 tons put in to Wonsan twice in March 1949, twice in April, and once in May. On the first trip in March it brought a cargo of about 300 eight-ply and ten-ply tires and an undertermined amount of plate glass for train windows; on the second trip, lime. The first April cargo was manila rope; the second, petroleum.\*\*\* On the May trip, the ship carried Soviet-made cotton cloth and machinery, securely packed in wooden cases; the shipment was removed during the night, however, and its exact nature was not certain. In March and April 1949, exports from North Korea carried by the ship were capacity loads of cement, produced in Pyongan Province, and Hungnam. The export of cement, which began in February 1948, is considered secret, and details of quantity were not available. The cargo for May was not reported.

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- \* Comment: [redacted] reported that the T'ae Chang Company, a Soviet-controlled Korean trading firm, was operating in North China, Manchuria, and North and South Korea in 1948.

- \*\* Comment: A Soviet soldier was heard to remark that part of the fertilizer exported was going to the Chinese Communists in Manchuria.

- \*\*\* Comment: The petroleum is processed in the refinery on Kalma Peninsula, Wonsan, and was then reshipped to the USSR. The manila rope was produced by the Tokyo Net Manufacturing Company in Japan and was believed to have been material captured by the Soviets in Manchuria and then exported from the USSR.

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